



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	HB0309	Title:	Revise biodiesel and ethanol laws
Primary Sponsor:	Bergren, Bob	Status:	As Introduced-Revised

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$301,500	\$301,500	\$309,038	\$316,763
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance	<u>(\$301,500)</u>	<u>(\$301,500)</u>	<u>(\$309,038)</u>	<u>(\$316,763)</u>

Description of Fiscal Impact:

The Department of Labor & Industry will incur the cost of collecting biodiesel samples and sending these samples to a private lab for testing.

FISCAL ANALYSIS

Assumptions:

Department of Labor & Industry:

- Section 4, Annual Report. The fiscal impact for developing and presenting the annual report would be minimal. This report could be put together by existing staff and absorbed by the departments' current budget.
- If the blending of biodiesel was done at the retail site, this would require the department to collect samples at retail locations and submit them to an independent third party lab for verification of compliance. When the department samples at retail locations, the department is responsible for all costs incurred in the testing process. These costs would include, the sample itself approximately one gallon \$3.00; shipping and containers at \$50 per sample; testing at approx. \$550 per sample for a total of \$603 per sample. **Because there will be an unknown number of biodiesel producers selling directly to retailers and wholesalers, the department will be required to check at multiple blending sites as opposed to only at the**

terminals. The department estimates testing of 500 samples per year to ensure compliance with biodiesel standards which will result in a net cost to the department of \$301,500.

3. The department does not have revenue sources available to fund these expenditures. Therefore, it is assumed that the general fund would pay for the increased costs.

Department of Transportation:

4. If the department were to lose it's ability to purchase diesel fuel at commercial sites due to the 20% requirement in section 5 of the bill, the department may be required to install underground vaults that meet SPCC requirements in order to meet the 20% law. This installation could cost as much as \$1.4 million. (See technical note #3.)

Department of Labor & Industry:

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	\$301,500	\$301,500	\$309,038	\$316,763
<u>Funding of Expenditures:</u>				
General Fund (01)	\$301,500	\$301,500	\$309,038	\$316,763
<u>Revenues:</u>				
General Fund (010)	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$301,500)	(\$301,500)	(\$309,038)	(\$316,763)

Technical Notes:

1. Note: Section 6 temporary exemptions subsection (a) allows for an increase up to 15% over petroleum-based diesel. If this occurs, this could result in a minor fiscal impact to the program.
2. Clarification: Section 9. Effective date states biodiesel must be produced by refineries in the state on or before July 1, 2008. If this date is not met, will biodiesel need to be shipped in from out-of-state? If this occurs, the fiscal impact could be significant.
3. Section 3 should be clarified to state 2% biodiesel **blend** by volume. In Section 5 it should be clarified to more clearly state that a minimum 20% of all diesel purchases made must be a biodiesel blend. If this is not the intent, then the fiscal impact to state agencies with large diesel fleets would be significant.

Department of Labor & Industry

4. If a less expensive method of testing is identified, the costs shown could be reduced. However, no other methods have been identified at this time.

Sponsor's Initials

Date

Budget Director's Initials

Date